

Witness: Richard A. Soderman
Request from: Attorney General

Question:

Please provide a complete and detailed description of all of the legal and regulatory liabilities associated with each generation facility and their operations that will remain with the Company after the sale of the unit.

Response:

Please refer to Section 2.4 of the PSA. Two principal liabilities which are retained by Vermont Yankee Nuclear Power Corporation ("Vermont Yankee") are: the Pre-1983, DOE Spent-Nuclear-Fuel or "SNF" obligation and the DOE Decontamination & Decommissioning Fee ("DOE D&D Fee").

Regarding the SNF, under the Nuclear Waste Policy Act of 1982, each nuclear utility was obligated to enter into a contract known as the "Standard DOE Contract" with DOE that provides for certain payments to DOE to compensate for the government's obligation to dispose of spent-nuclear fuel. These payments consist of a one-time fee for fuel consumed prior to April 7, 1983 (or the "One-time Fee"), which was either payable at that time or could be deferred, accruing interest at the Treasury bill rate, until the spent fuel is delivered to DOE (currently anticipated to be no earlier than 2008) and an on-going fee of 1 mill per kwh generated after that date, payable quarterly in arrears.

Vermont Yankee elected to defer payment of the One-time Fee rather than pay in advance and has been paying the generation fee as it comes due. To prepare for meeting the One-time Fee obligation when it becomes due, Vermont Yankee established an irrevocable grantor trust, the Spent Nuclear Fuel Disposal Trust (the "SNF Trust"), into which it has been making regular deposits to build the required fund. Currently, the assets in the SNF Trust amount to about \$113 million and the appreciated obligation for the One-time Fee amounts to about \$119 million. The earnings on the assets in the SNF Trust now are expected to grow that fund so that it will equal or exceed the One-time Fee when it becomes payable to the DOE.

The PSA provides that the Standard DOE Contract, and all obligations thereunder accruing after the closing, will be assigned to Entergy. The PSA also provides that the One-time Fee is a liability retained by Vermont Yankee and that Vermont Yankee also retains the SNF Trust which secures that obligation.

Regarding the DOE D&D Fee, in October 1992, Congress passed the Energy Policy Act of 1992. The Act requires, among other things, that certain utilities help pay for the cleanup of DOE's enrichment facilities over a fifteen-year period. The company's annual fee is based on its historical share of enrichment services provided by the DOE and is indexed to inflation. The Act stipulates that the annual fee shall be fully recoverable in rates in the same manner as other fuel costs. Vermont Yankee has retained the liability to pay this annual fee, which obligation terminates in 2006.

